

MONROE HOUSING COMMISSION  
MONROE, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Monroe Housing Commission</b>	County <b>Monroe</b>
Audit Date <b>1/3/05</b>	Opinion Date <b>1/12/06</b>	Date Accountant Report Submitted to State: <b>2/22/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Barry E. Gaudette, CPA, PC</b>			
Street Address <b>1107 E. Eighth Street</b>		City <b>Traverse City</b>	State <b>MI</b>
Accountant Signature <i>Barry E. Gaudette, CPA</i>		ZIP <b>49686</b>	Date <b>2/22/06</b>

MONROE HOUSING COMMISSION  
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## INTRODUCTION

***Independent Auditor's Report***

Board of Commissioners  
Monroe Housing Commission  
Monroe, Michigan

I have audited the accompanying financial statements of the business-type activities of the Monroe Housing Commission, Michigan, a component unit of the City of Monroe, as of and for the year ended September 30, 2005, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Monroe Housing Commission, Michigan, as of September 30, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6(D), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted as of September 30, 2005.

Monroe Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated January 12, 2006, on my consideration of Monroe Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be in considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on page 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that comprise Monroe Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Monroe Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Barry E. Tautsch, CPA*

January 12, 2006

MONROE HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
September 30, 2005  
=====

Monroe Housing Commission, created in 1966, by the City of Monroe, provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended September 30, 2005. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

**Financial Highlights**

The financial statements for Monroe Housing Commission consists of two programs. The first is owned housing, consisting of 292 units of public housing and the second is the capital funding program. Monroe Housing Commission had total revenues of \$2,026,992 that includes \$722,282 in rental payments and \$1,171,580 in federal assistance. Total operating expenses were \$1,659,811, that includes \$312,249 in administrative expenses, \$383,068 in ordinary maintenance expenses, and \$585,497 in depreciation expense. Total revenues decreased by \$38,127 from the prior year and operating expenses decreased by \$4,855 over the prior year for a net decrease of \$33,272, due in part to a decrease in federal grants and interest income.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent year by \$9,553,456. The Housing Commission's total net assets increased by \$367,181 from the prior year. The increase is attributable in part to keeping the operating expenses less than the prior year.

Total assets of the Housing Commission were \$9,828,223 including \$2,921,978 of current assets and \$6,906,245 of net property, plant, and equipment assets. The Housing Commission had current liabilities of \$190,091 and noncurrent liabilities of \$84,676. Assets increased, in part, by \$86,755 from the prior year for the same reason mentioned in the previous paragraph.

The financial condition of the Housing Commission continues to improve.

**Overview of the Financial Statements**

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- \* Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.

- \* Statement of Activities - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- \* Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

#### Commission's current position

The Monroe Housing Commission continues to operate at one hundred percent occupancy. The Commission's waiting list is modest, primarily due to the increase in the number of available units in the City and competition from the Section 8 program. It should be noted that there are very few elderly (by age) applicants on the waiting list for our senior high rise building. An obvious shift in local demographics and the increased availability of apartments for seniors both in the City and county-wide are the main causes for the dwindling number of senior applicants.

The Commission used capital fund program income in 2005 to complete several large projects at its senior citizen high rise. A new fire alarm system replaced an obsolete system that was not up to code. Security cameras were installed on the exterior and interior of the building. Finally, energy efficient water-saving toilets were installed in all units.

Having completed all energy-related improvements with reasonable paybacks, and having completed all items identified in physical needs studies, the Commission is now placing capital fund program monies into a replacement reserve account. The Commission plans to continue to fund this account with capital fund revenues for the next several years and eventually use the funds to replace its aging family development commonly known as Greenwood Park Townhouses.

The Commission's financial position remains strong, bolstered by increased earnings from investments. Interest rates have increased compared to last year which translates into better returns. Operating reserves are exceptionally healthy at almost three million dollars. However, substantial increases in utility expenses along with the effects of the Earned Income Disallowance regulation have created a serious drag on income. Reductions in operating subsidy will only serve to exacerbate this trend and will more than offset any increase in investment income.

Paul J. Wickenheiser, Executive Director  
20 N. Roessler Street  
Monroe, Michigan 48162



### Financial Analysis of the Housing Commission

The following condensed statement of net assets show a summary of changes for the years ended September 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Current assets	\$2,921,978	\$2,491,005	\$ 430,973)
Property and equipment	<u>6,906,245</u>	<u>6,936,505</u>	<u>( 30,260)</u>
Total assets	<u>\$9,828,223</u>	<u>\$9,427,510</u>	<u>\$ 400,713</u>
Current liabilities	\$ 190,091	\$ 161,551	\$ 28,540
Noncurrent liabilities	<u>84,676</u>	<u>79,684</u>	<u>4,992</u>
Total liabilities	<u>274,767</u>	<u>241,235</u>	<u>33,532</u>
Net assets:			
Invested in capital assets	6,906,245	6,936,505	( 30,260)
Restricted net assets	468,400		468,400
Unrestricted net assets	<u>2,178,811</u>	<u>2,249,770</u>	<u>( 70,959)</u>
Total net assets	<u>9,553,456</u>	<u>9,186,275</u>	<u>367,181</u>
Total liabilities and net assets	<u>\$9,828,223</u>	<u>\$9,427,510</u>	<u>\$ 400,713</u>

### Financial Analysis of the Housing Commission (continued)

The following table summarizes the statement of activities of the Housing Commission for the years ended September 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
<b>Operating revenues:</b>			
Dwelling rent	\$ 722,282	\$ 716,684	\$ 5,598
Nondwelling rent	<u>36,993</u>	<u>38,152</u>	<u>( 1,159)</u>
Total operating revenues	<u>759,275</u>	<u>754,836</u>	<u>4,439</u>
<b>Operating expenses:</b>			
Administration	312,249	280,029	32,220
Tenant services	34,333	34,350	( 17)
Utilities	178,394	173,537	4,857
Ordinary maintenance and operation	383,068	352,482	30,586
Protective services	41,732	40,531	1,201
General expenses	122,573	119,174	3,399
Extraordinary maintenance	1,965	10,025	( 8,060)
Depreciation	<u>585,497</u>	<u>654,538</u>	<u>( 69,041)</u>
Total operating expenses	<u>1,659,811</u>	<u>1,664,666</u>	<u>( 4,855)</u>
Operating income(loss)	<u>( 900,536)</u>	<u>( 909,830)</u>	<u>9,294</u>
<b>Non-operating revenue:</b>			
Interest income	70,280	97,495	( 27,215)
Other income	25,757	24,374	1,383
Gain on sale of fixed assets	100		100
Loss on sale of fixed assets		( 67)	67
Operating grants	696,963	410,949	286,014
Capital grants	<u>474,617</u>	<u>777,532</u>	<u>( 302,915)</u>
Total nonoperating revenue	<u>1,267,717</u>	<u>1,310,283</u>	<u>( 42,566)</u>
<b>Change in Net Assets</b>	<u>\$ 367,181</u>	<u>\$ 400,453</u>	<u>\$ ( 33,272)</u>

FINANCIAL STATEMENTS

MONROE HOUSING COMMISSION  
STATEMENT OF NET ASSETS  
September 30, 2005  
=====

ASSETS

Current Assets:

Cash	\$ 208,322
Cash-restricted	67,191
Accounts receivable-dwelling rents	17,747
Allowance for doubtful accounts	( 10,363)
Accrued interest receivable	677
Investments-unrestricted	2,179,466
Investments restricted	401,209
Prepaid expenses	49,389
Inventories	<u>8,340</u>

Total Current Assets 2,921,978

Property and Equipment:

Land	2,123,036
Buildings	12,857,299
Equipment	364,286
Building improvements	1,289,172
Construction in progress	<u>365,100</u>
	16,998,893
Less: accumulated depreciation	<u>(10,092,648)</u>

Net Property and Equipment 6,906,245

Total Assets \$ 9,828,223

MONROE HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
September 30, 2005  
=====

**LIABILITIES and NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 104,342
Tenant security deposit liability	49,822
Accrued expenses	25,349
Deferred revenues	<u>10,578</u>
Total Current Liabilities	190,091
Noncurrent Liabilities:	
Accrued compensated absences	<u>84,676</u>
Total Liabilities	<u>274,767</u>
Net Assets:	
Invested in capital assets	6,906,245
Restricted net assets	468,400
Unrestricted net assets	<u>2,178,811</u>
Total Net Assets	<u>9,553,456</u>
Total Liabilities and Net Assets	<u>\$ 9,828,223</u>

See notes to financial statements

MONROE HOUSING COMMISSION  
**STATEMENT OF ACTIVITIES**  
Year Ended September 30, 2005  
=====

**OPERATING REVENUES:**

Dwelling rent	\$ 722,282
Nondwelling rent	<u>36,993</u>
Total operating revenues	<u>759,275</u>

**OPERATING EXPENSES:**

Administration	312,249
Tenant services	34,333
Utilities	178,394
Ordinary maintenance and operation	383,068
Protective services	41,732
General expenses	122,573
Extraordinary maintenance	1,965
Depreciation	<u>585,497</u>
Total operating expenses	<u>1,659,811</u>

Operating income(loss)	<u>( 900,536)</u>
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**NONOPERATING REVENUES:**

Investment interest income	70,280
Other income	25,757
Gain on sale of fixed assets	100
Operating grants	696,963
Capital grants	<u>474,617</u>

Total nonoperating revenues	<u>1,267,717</u>
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Change in net assets	367,181
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Prior period adjustment	868
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Net assets, beginning	<u>9,185,407</u>
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Net assets, ending	<u>\$ 9,553,456</u>
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See notes to financial statements

MONROE HOUSING COMMISSION  
STATEMENT OF CASH FLOWS  
Year Ended September 30, 2005  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 757,876
Cash payments to other suppliers of goods and services	( 557,029)
Cash payments to employees for services	( 430,493)
Cash payments for in lieu of taxes	<u>( 51,529)</u>
Net cash (used) by operating activities	<u>( 281,175)</u>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES:**

Tenant security deposits	943
Operating grants	697,891
Other revenue	<u>25,933</u>
Net cash provided by noncapital financing activities	<u>724,767</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES:**

Gain on sale of fixed assets	100
Capital outlays	474,617
Payments for capital acquisitions	<u>( 555,237)</u>
Net cash (used) by capital and related financing activities	<u>( 80,520)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Restricted cash increased	( 67,191)
Investments increased	( 547,316)
Receipts of interest and dividends	<u>69,954</u>
Net cash provided by investing activities	<u>( 544,553)</u>

Net increase(decrease) in cash	( 181,481)
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Cash, beginning	<u>389,803</u>
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Cash, ending	<u><u>\$ 208,322</u></u>
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MONROE HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended September 30, 2005  
=====

RECONCILIATION OF CASH AND CASH  
EQUIVALENTS PER STATEMENT OF CASH  
FLOWS TO THE BALANCE SHEET:

Cash	\$ 208,322
Cash and cash equivalents per balance sheet	<u>\$ 208,322</u>

SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:

Operating income(loss)	\$( 900,536)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	585,497
Bad debt allowance change	454
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-miscellaneous	868
Accounts receivable-tenants	( 395)
Prepaid expenses	( 45)
Inventories	333
Increase (decrease) in liabilities:	
Accounts payable	19,619
Accrued wages/payroll taxes	1,601
Accrued compensated absences	13,007
Accrued payments in lieu of taxes	294
Deferred revenues	<u>( 1,872)</u>
Net cash (used) by operating activities	<u>\$( 281,175)</u>

See notes to financial statements



MONROE HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2005  
=====

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Monroe Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

**The Reporting Entity**

Monroe Housing Commission is a component unit of the City of Monroe, a Michigan Home Rule City. The Housing Commission is a Public Housing Agency created by the City of Monroe on July 6, 1966, consisting of a five member board appointed by the City mayor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Monroe Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

**Grants and Other Intergovernmental Revenues**

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract, the Housing Commission constructed, maintains and operates 292 units of subsidized housing in the City of Monroe, Michigan.

**Fund Financial Statements**

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Activities and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

**Fund Accounting**

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities,

equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

### **Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the statement of net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net assets components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Monroe Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

## **Budgets and Budgetary Accounting**

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

## **Receivables**

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

## **Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

## **Fixed Asset Capitalization**

Fixed assets with a cost to acquire or construct of \$100 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Building improvements	5 - 20 years
Dwelling equipment-nonexpendable	5 - 7 years
Furniture, equipment-administration	3 - 10 years
Nondwelling structures	5 - 40 years
Land improvements	5 - 20 years

## **Net Assets**

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

## **Inventory**

Inventory is priced using the average cost method.

## Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested in capital assets rather than unrestricted net assets.

## Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

## Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- \* Vacation leave: In the event of an employee's death or voluntary quit, any unused vacation pay earned but not taken as of the date of such termination, will be paid as part of the employee's final wages on the pay period following the termination; if the employee is dismissed for cause, however, no vacation pay shall be paid.
- \* Sick pay: The amount of sick pay benefits used by an employee will be equal to the number of regularly scheduled hours such employee would otherwise have worked during the absence.
- \* Personal days: There is no policy for personal days.

No cash payments to officers or employees shall be made in lieu of unused vacation or sick leave; except that when an officer or employee is permanently separated from employment, cash payment of unused vacation leave (but not unused sick leave) may be made, but no such payment shall be made to any officer or employee dismissed for cause. In addition, a full time employee shall be entitled to a cash payment equal to 50% of any unused sick days at the end of a calendar year, provided the employee worked full time the preceding twelve (12) months.

The amount of accumulated benefits at September 30, 2005, was \$97,683, and is recorded as a liability in the applicable funds.

### Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

### Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

### **NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK**

The Housing Commission maintains cash and investment accounts in the Low Rent Program.

#### Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$275,463 and the bank balance was \$276,675 of which \$276,675 was covered by federal depository insurance and a collateral agreement. The Housing Commission has \$50 in a petty cash/change fund.

#### Investments

The Housing Commission had the following investments at the following banks as of September 30, 2005:

National City - CD	\$ 79,000
East Valley CM - CD	99,462
Discover Bank - CD	100,000
Armada Bank - Money Market account	8,664
U.S. Government Agencies and Money Market accounts	1,892,340
Retiree Health - CD's and a money market account	<u>401,209</u>
	<u>\$ 2,580,675</u>

*Interest Rate Risk* - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or

share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- |    |                                  |   |          |
|----|----------------------------------|---|----------|
| 1. | U.S. Treasury Notes              | - | 100%; or |
| 2. | U.S. Treasury Notes and/or Bonds | - | 75% and  |
| 3. | Mortgage Backed Securities       | - | 25%      |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the combined statement of net assets follows:

Cash on hand	\$	50
Carrying amount of deposits		275,463
Investments		<u>2,580,675</u>
Total	\$	<u>2,856,188</u>
Cash and cash equivalents:		
Enterprise activities	\$	2,857,400
Enterprise activities - checks written in excess of deposits		<u>( 1,212 )</u>
Total	\$	<u>2,856,188</u>

### NOTE 3: RECEIVABLES AND PAYABLES

#### Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At September 30, 2005, the

receivables were \$17,747 with \$10,363 estimated as uncollectible. Bad debt expense was \$5,570.

### Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs". There were no interfund payables to the Low Rent Program from the Capital Fund Program as of September 30, 2005

There was an individual fund operating transfer during the fiscal year of \$269,737 from the capital fund program to the low rent program.

### **NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2005 was as follows:

	<u>Balance</u> <u>09/30/04</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>09/30/05</u>
<b>Low Rent Program</b>			
Land	\$ 2,123,036	\$	\$ 2,123,036
Buildings	11,802,564	617,365	12,419,929
Furniture, equip. & machinery - dwellings	170,091	476	170,567
Furniture, equip. & machinery - administration	179,094	14,625	193,719
Building improvements	<u>1,246,257</u>	<u>36,827</u>	<u>1,283,084</u>
	15,521,042	<u>\$ 669,293</u>	16,190,335
Less accumulated depreciation	( <u>9,497,340</u> )	( <u>\$ 585,041</u> )	( <u>10,082,381</u> )
Total	<u>\$ 6,023,702</u>		<u>\$ 6,107,954</u>
<b>Capital Fund Program</b>			
Buildings	\$ 576,983	\$ 427,559	\$ 437,370
Building improvements	11,690	6,088	6,088
Construction in progress	<u>333,941</u>	<u>31,159</u>	<u>365,100</u>
	922,614	<u>\$ 464,806</u>	808,558
Less accumulated depreciation	( <u>9,811</u> )	( <u>\$ 10,267</u> )	( <u>10,267</u> )
Total	<u>\$ 912,803</u>		<u>\$ 798,291</u>
<b>Combined Totals</b>			<u><u>\$ 6,906,245</u></u>

#### NOTE 5: INVESTED IN CAPITAL ASSETS

The following is a summary of the activity in the Invested in Capital Assets account:

	Invested in Capital Assets
Balance, beginning (contributed capital)	\$ 6,936,505
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	( 30,260)
Balance, ending	<u>\$ 6,906,245</u>

#### NOTE 6: OTHER INFORMATION

##### A. Pension Plan

The Housing Commission participates in a defined benefit plan administered by the Municipal Employees' Retirement System of Michigan (MERS). The plan provides for annual employer and employee contributions with complete vesting after 10 years of service. At December 31, 2004, the date of the last completed actuarial evaluation, the Housing Commission's termination liability was \$970,788. The present value of accrued benefits is \$730,364 and the valuation of assets is \$769,496. The pension plan, therefore, is overfunded by \$39,132. The minimum required monthly employer contribution is 13.64% of payroll, the 2004 employer contributions were estimated to be \$2,857 per month and employees did not have to contribute. Although no employee contributions are required, voluntary contributions of up to an additional 5% of earnings are allowed. The annual payroll for the three(6) active members was \$251,390 and there are no retirees at the present time.

Further details are available from Monroe Housing Commission, 20 North Roessler Street, Monroe, MI 49162-2497.

##### B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

##### C. Risk Management and Litigation



### C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

### D. Implementation of New Accounting Standard

As of and for the year ended September 30, 2005, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

### E. Prior Period Adjustments, Equity Transfers and Correction of Errors

#### Low Rent Program

Prior year receivable	\$ 868
Equity from CFP 50102	<u>578,862</u>
	<u>\$ 579,730</u>

#### Capital Fund Program

CFP 50102 Equity to Low Rent	<u>\$ (578,862)</u>
------------------------------	---------------------

### F. Post-retirement Benefits Other Than Pensions

The Housing Commission has established a retiree health care plan. All full-time employees of the Monroe Housing Commission are eligible to receive retiree health care benefits. Members of any age with 25 years continuous full-time service who are not covered under another private or public plan. Commission pays 100% of base coverage for the member. Member must cover any additional cost in excess of base coverage. Commission pays 100% of base coverage of the spouses health insurance as long as the spouse continues to receive a pension and does not remarry. Base coverage consists of Traditional Blue Cross Blue Shield Master and Major Medical (MVF-1) or equal, \$200 per family per annum deductible and 20% of approved costs thereafter, and \$10 per prescription for generic drugs (\$20 in all other cases). If the retiree obtains employment from an employer who provides medical coverage, the member and spouse are not covered by the Commission's coverage where applicable for the

duration of employment. Coverage continues to surviving spouses of deceased retirees. However, spouses who have medical coverage under another private or public plan (other than Medicare) are not eligible for coverage under the Commission's policy. Retiree and spouse are required to enroll in Medicare once eligible. Retiree and spouse pay the Medicare premiums.

The Housing Commission obtained an Actuarial Valuation as of December 31, 2004 of the Retiree Health Care Plan. The unfunded accrued liability for present active members was \$494,623. There are no retirees and beneficiaries or vested terminated members.

The Housing Commission has chosen to begin pre-funding its Retiree Health Benefits and as of September 30, 2005 has reserved \$401,209 at an account administered by National City Bank, consisting of four certificate of deposits and a money market account at various banks.

#### NOTE 7: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes two separate programs which provide housing assistance and grant programs. Segment information for the year ended September 30, 2005, was as follows:

	Low Rent Program	Capital Fund Program
<b>Condensed Statement of Net Assets</b>		
Current assets	\$ 2,921,978	\$
Property and equipment	6,107,954	798,291
Total assets	<u>\$ 9,029,932</u>	<u>\$ 798,291</u>
Current liabilities	\$ 190,091	\$
Noncurrent liabilities	84,676	
Total liabilities	<u>274,767</u>	
Net assets:		
Invested in capital assets	6,107,954	798,291
Restricted net assets	468,400	
Unrestricted net assets	<u>2,178,811</u>	
Total net assets	<u>8,755,165</u>	<u>798,291</u>
Total liabilities and net assets	<u>\$ 9,029,932</u>	<u>\$ 798,291</u>

**Condensed Statement of Activities**

Dwelling rent	\$ 722,282	\$
Nondwelling rent	36,993	
Depreciation	( 575,230)	( 10,267)
Other operating expenses	<u>(1,074,314)</u>	
Operating(loss)	( 890,269)	( 10,267)
Nonoperating revenues:		
Investment interest income	70,280	
Other income	25,757	
Gain on sale of fixed assets	100	
Operating transfers in (out)	269,737	( 269,737)
Operating grants	427,226	269,737
Capital grants		<u>474,617</u>
Change in net assets	( 97,169)	464,350
Prior period adjustments, equity transfers and correction of errors	579,730	( 578,862)
Beginning net assets	<u>8,272,604</u>	<u>912,803</u>
Ending net assets	<u>\$ 8,755,165</u>	<u>\$ 798,291</u>

**Condensed Statement of Cash Flows**

Net cash provided(used) by:

Operating activities	\$( 281,175)	\$
Noncapital financing activities	724,767	
Capital and related financing activities	( 80,520)	
Investing activities	<u>( 544,553)</u>	
Net increase(decrease)	( 181,481)	
Beginning cash and cash equivalents	389,803	
Ending cash and cash equivalents	<u>\$ 208,322</u>	<u>\$</u>

SUPPLEMENTARY INFORMATION

MONROE HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
 September 30, 2005  
 =====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 208,322	\$
Cash-restricted	67,191	
Accounts receivable-dwelling rents	17,747	
Allowance for doubtful accounts- dwelling rents	( 10,363)	
Accrued interest receivable	677	
Investments-unrestricted	2,179,466	
Investments restricted	401,209	
Prepaid expenses	49,389	
Inventories	<u>8,340</u>	
Total current assets	<u>2,921,978</u>	
Property and equipment:		
Land	2,123,036	
Buildings	12,419,929	437,370
Equipment	364,286	
Building improvements	1,283,084	6,088
Construction in progress		<u>365,100</u>
	<u>16,190,335</u>	808,558
Less accumulated depreciation	<u>(10,082,381)</u>	<u>( 10,267)</u>
Net property and equipment	<u>6,107,954</u>	<u>798,291</u>
Total Assets	<u>\$ 9,029,932</u>	<u>\$ 798,291</u>

Totals

\$ 208,322  
67,191  
17,747

( 10,363)  
677  
2,179,466  
401,209  
49,389  
8,340

2,921,978

2,123,036  
12,857,299  
364,286  
1,289,172  
365,100  
16,998,893  
(10,092,648)

6,906,245

\$ 9,828,223

MONROE HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS (CONTINUED)**  
 September 30, 2005

=====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 104,342	\$
Tenant security deposit liability	49,822	
Accrued expenses	25,349	
Deferred revenues	<u>10,578</u>	
Total current liabilities	190,091	
Noncurrent liabilities:		
Accrued compensated absences	<u>84,676</u>	
Total liabilities	<u>274,767</u>	
Net assets:		
Invested in capital assets	6,107,954	798,291
Restricted net assets	468,400	
Unrestricted net assets	<u>2,178,811</u>	
Total net assets	<u>8,755,165</u>	<u>798,291</u>
Total Liabilities and Net Assets	<u>\$9,029,932</u>	<u>\$ 798,291</u>

Totals

\$ 104,342  
49,822  
25,349  
10,578

190,091

84,676

274,767

6,906,245  
468,400  
2,178,811

9,553,456

\$ 9,828,223



MONROE HOUSING COMMISSION  
**COMBINING STATEMENT OF ACTIVITIES**  
 Year Ended September 30, 2005  
 =====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 722,282	\$
Nondwelling rent	<u>36,993</u>	<u></u>
Total operating revenues	<u>759,275</u>	<u></u>
<b>OPERATING EXPENSES:</b>		
Administration	312,249	
Tenant services	34,333	
Utilities	178,394	
Ordinary maintenance and operation	383,068	
Protective services	41,732	
General expenses	122,573	
Extraordinary maintenance	1,965	
Depreciation	<u>575,230</u>	<u>10,267</u>
Total operating expenses	<u>1,649,544</u>	<u>10,267</u>
Operating income(loss)	<u>( 890,269)</u>	<u>( 10,267)</u>
<b>NONOPERATING REVENUES:</b>		
Investment interest income	70,280	
Other income	25,757	
Gain on sale of fixed assets	100	
Operating transfers in (out)	269,737	(269,737)
Operating grants	427,226	269,737
Capital grants	<u></u>	<u>474,617</u>
Total nonoperating revenues	<u>793,100</u>	<u>474,617</u>
Change in net assets	<u>( 97,169)</u>	<u>464,350</u>
Prior period adjustments, equity transfers and correction of errors	579,730	(578,862)
Net assets, beginning	<u>8,272,604</u>	<u>912,803</u>
Net assets, ending	<u><u>\$8,755,165</u></u>	<u><u>\$798,291</u></u>

Totals

\$ 722,282  
36,993

759,275

312,249

34,333

178,394

383,068

41,732

122,573

1,965

585,497

1,659,811

( 900,536)

70,280

25,757

100

696,963

474,617

1,267,717

367,181

868

9,185,407

\$ 9,553,456

MONROE HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
Year Ended September 30, 2005  
=====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 757,876	\$
Cash payments to other suppliers of goods and services	( 557,029)	
Cash payments to employees for services	( 430,493)	
Cash payments for in lieu of taxes	<u>( 51,529)</u>	
Net cash (used) by operating activities	<u>( 281,175)</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Due from/to other programs	928	( 928)
Tenant security deposits	943	
Operating transfers in (out)	269,737	(269,737)
Operating grants	427,226	270,665
Other revenue	<u>25,933</u>	
Net cash provided by noncapital financing activities	<u>724,767</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Gain on sale of fixed assets	100	
Capital grants		474,617
Payments for capital acquisitions	<u>( 80,620)</u>	<u>(474,617)</u>
Net cash (used) by capital and related financing activities	<u>( 80,520)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Restricted cash increased	( 67,191)	
Investments increased	( 547,316)	
Receipts of interest and dividends	<u>69,954</u>	
Net cash (used) by investing activities	<u>( 544,553)</u>	
Net increase(decrease) in cash	( 181,481)	
Cash, beginning	<u>389,803</u>	
Cash, ending	<u><u>\$ 208,322</u></u>	<u><u>\$</u></u>

<u>Totals</u>	
\$	757,876
(	557,029)
(	430,493)
(	<u>51,529)</u>
(	<u>281,175)</u>
	943
	697,891
	<u>25,933</u>
	<u>724,767</u>
	100
	474,617
(	<u>555,237)</u>
(	<u>80,520)</u>
(	67,191)
(	547,316)
	<u>69,954</u>
(	<u>544,553)</u>
(	181,481)
	<u>389,803</u>
\$	<u><u>208,322</u></u>

MONROE HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
 Year Ended September 30, 2005  
 =====

Low Rent Program	Capital Fund Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH  
 EQUIVALENTS PER STATEMENT OF  
 CASH FLOWS TO THE BALANCE SHEET:**

Cash	\$ 208,322	\$ _____
Cash and cash equivalents per balance sheet	<u>\$ 208,322</u>	<u>\$ _____</u>

**SCHEDULE RECONCILING OPERATING INCOME  
 TO NET CASH FLOW FROM OPERATING  
 ACTIVITIES:**

Operating income(loss)	\$( 890,269)	\$( 10,267)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	575,230	10,267
Bad debt allowance change	454	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Account receivable-miscellaneous	868	
Accounts receivable-tenants	( 395)	
Prepaid expenses	( 45)	
Inventories	333	
Increase (decrease) in liabilities:		
Accounts payable	19,619	
Accrued wages/payroll taxes	1,601	
Accrued compensated absences	13,007	
Accrued payments in lieu of taxes	294	
Deferred revenues	<u>( 1,872)</u>	<u>_____</u>
Net cash (used) by operating activities	<u>\$( 281,175)</u>	<u>\$ _____</u>

Totals

\$ 208,322

\$ 208,322

\$ ( 900,536)

585,497  
454

868  
( 395)  
( 45)  
333

19,619  
1,601  
13,007

294  
( 1,872)

\$ ( 281,175)

MONROE HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
 Year Ended September 30, 2005  
 =====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2005	Low Rent Public Housing	14.850	\$ 427,226
	<u>Public and Indian Housing Major - Direct Program</u>		
2005	Capital Fund Program	14.872	<u>744,354</u>
	Total		<u>\$1,171,580</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

accrual      The schedule of federal awards has been prepared on the  
    basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

MONROE HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE**  
Year Ended September 30, 2005  
=====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 208,322	\$
112	Cash-restricted-MOD	<u>67,191</u>	
100	Total cash	<u>275,513</u>	
	Receivables:		
126	A/R-tenants-dwelling rents	17,747	
126.1	Allowance for doubtful accounts- dwelling rent	( 10,363)	
129	Accrued interest receivable	<u>677</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>8,061</u>	
	Current Investments:		
131	Investments-unrestricted	2,179,466	
132	Investments restricted	<u>401,209</u>	
	Total current investments	<u>2,580,675</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	49,389	
143	Inventories	<u>8,340</u>	
	Total other current assets	<u>57,729</u>	
150	Total current assets	<u>2,921,978</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	2,123,036	
162	Buildings	12,419,929	437,370
163	Furn, equip & mach-dwellings	170,567	
164	Furn, equip & mach-admin.	193,719	
165	Building improvements	1,283,084	6,088
166	Accumulated depreciation	(10,082,381)	( 10,267)
167	Construction in progress	<u>365,100</u>	
160	Total fixed assets, net of accumulated depreciation	<u>6,107,954</u>	<u>798,291</u>
180	Total noncurrent assets	<u>6,107,954</u>	<u>798,291</u>
190	Total Assets	<u>\$ 9,029,932</u>	<u>\$ 798,291</u>



Totals

\$ 208,322  
67,191

275,513

17,747

( 10,363)  
677

8,061

2,179,466  
401,209

2,580,675

49,389  
8,340

57,729

2,921,978

2,123,036  
12,857,299  
170,567  
193,719  
1,289,172  
(10,092,648)  
365,100

6,906,245

6,906,245

\$ 9,828,223

MONROE HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended September 30, 2005  
 =====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES AND EQUITY/NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 52,519	\$
321	Accrued wage/payroll taxes payable	12,342	
322	Accrued compensated absences-current portion	13,007	
333	Accounts payable-other government	51,823	
341	Tenant security deposits	49,822	
342	Deferred revenues	<u>10,578</u>	
310	Total current liabilities	190,091	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>84,676</u>	
300	Total liabilities	<u>274,767</u>	
	Equity:		
508.1	Invested in capital assets	<u>6,107,954</u>	<u>798,291</u>
508	Total equity	6,107,954	798,291
	Net Assets:		
511.1	Restricted net assets	468,400	
512.1	Unrestricted net assets	<u>2,178,811</u>	
513	Total equity/net assets	<u>8,755,165</u>	<u>798,291</u>
600	Total Liabilities and Equity/Net Assets	<u>\$9,029,932</u>	<u>\$ 798,291</u>

Totals

\$ 52,519

12,342

13,007

51,823

49,822

10,578

190,091

84,676

274,767

6,906,245

6,906,245

468,400

2,178,811

9,553,456

\$ 9,828,223

MONROE HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended September 30, 2005  
 =====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 722,282	\$
704	Tenant revenue-other	<u>36,993</u>	
705	Total tenant revenue	759,275	
706	HUD PHA grants	427,226	269,737
706.1	Capital grants		<u>474,617</u>
711	Investment income-unrestricted	70,280	
715	Other revenue	25,757	
716	Gain/loss on sale of fixed assets	<u>100</u>	
700	Total revenue	<u>1,282,638</u>	<u>744,354</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	140,073	
912	Auditing fees	3,200	
914	Compensated absences	13,007	
915	Employee benefit contributions-adm.	82,470	
916	Other operating-administrative	73,499	
	Tenant Services:		
921	Tenant services-salaries	28,227	
923	Employee benefit contributions	6,046	
924	Tenant services-other	60	
	Utilities:		
931	Water	59,482	
932	Electricity	68,821	
933	Gas	50,091	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	89,647	
942	Ordinary maint & oper-mat'ls & other	46,132	
943	Ordinary maint & oper-contract costs	189,869	
945	Employee benefit contributions-ordinary maintenance	57,420	
951	Protective services-labor	34,555	
953	Protective services-other	514	
955	Employee benefit contributions-protective services	6,663	
	General expenses:		
961	Insurance premiums	65,180	
963	Payments in lieu of taxes	51,823	
964	Bad debt-tenant rents	<u>5,570</u>	
969	Total operating expenses	<u>1,072,349</u>	

Totals

\$ 722,282  
36,993  
759,275  
696,963  
474,617  
70,280  
25,757  
100

2,026,992

140,073  
3,200  
13,007  
82,470  
73,499

28,227  
6,046  
60

59,482  
68,821  
50,091

89,647  
46,132  
189,869

57,420  
34,555  
514

6,663

65,180  
51,823  
5,570

1,072,349

MONROE HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended September 30, 2005  
 =====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
970	Excess operating revenue over operating expenses	<u>210,289</u>	<u>744,354</u>
	<b>Expenses continued:</b>		
	Other expenses:		
971	Extraordinary maintenance	1,965	
974	Depreciation expense	<u>575,230</u>	<u>10,267</u>
	Total other expenses	<u>577,195</u>	<u>10,267</u>
900	Total expenses	<u>1,649,544</u>	<u>10,267</u>
	<b>Other Financing Sources(Uses):</b>		
1001	Operating transfers in	269,737	
1002	Operating transfers out	<u>          </u>	<u>(269,737)</u>
	Total other financing sources(uses)	<u>269,737</u>	<u>(269,737)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	( 97,169)	464,350
1104	Prior period adjustments, equity transfers and correction of errors	579,730	(578,862)
1103	Beginning Net Assets	<u>8,272,604</u>	<u>912,803</u>
	Ending Net Assets	<u><u>\$ 8,755,165</u></u>	<u><u>\$798,291</u></u>

Totals

954,643

1,965  
585,497

587,462

1,659,811

269,737  
( 269,737)

367,181

868

9,185,407

\$ 9,553,456

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Housing Commissioners  
Monroe Housing Commission  
Monroe, Michigan

I have audited the financial statements of the business-type activities of the Monroe Housing Commission, Michigan, (Housing Commission) as of and for the year ended September 30, 2005, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated January 12, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on



Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*  
Monroe Housing Commission  
Page Two

**Compliance and Other Matters (continued)**

compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated January 12, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry E. Tautsch, CPA, PC*

January 12, 2006

**Report on Compliance with Requirements  
Applicable to Each Major Program and  
Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Board of Housing Commissioners  
Monroe Housing Commission  
Monroe, Michigan

**Compliance**

I have audited the compliance of the Monroe Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements  
Applicable to Each Major Program and  
Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Monroe Housing Commission  
Page Two

**Compliance - Continued**

In my opinion, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

**Internal Control Over Compliance**

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that I have reported to management of the Housing Commission in a separate letter dated January 12, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Bary E. Handels, CPA, PC*

January 12, 2006

MONROE HOUSING COMMISSION  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 September 30, 2005  
 =====

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Commission.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Housing Commission were discovered during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Housing Commission expresses a unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) or OMB Circular A-133 are reported in this Schedule.
7. Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>	<u>Amount Expended</u>	<u>Major Program</u>	<u>Compliance Requirement</u>	<u>Questioned Costs</u>	<u>Audit Finding</u>
14.850	Low Rent Public Housing	\$ 427,226	Yes	O	N/A	N/A
14.872	Capital Fund Program	<u>744,354</u>	Yes	O	N/A	N/A
	<b>Total</b>	<u>\$1,171,580</u>				

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Housing Commission was determined to be a low-risk auditee.

MONROE HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
September 30, 2005

=====

B. Financial Statement Findings	None
C. Federal Award Findings and Questioned Costs	None

MONROE HOUSING COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
September 30, 2005

=====

NONE

MONROE HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
 SEPTEMBER 30, 2005  
 =====

<u>Line Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<b>LOW RENT PROGRAM</b>			
	(1)		
132	Investments restricted	\$401,208.80	
131	Investments- unrestricted To reclassify savings amount reserved for retirees health insurance premiums.		\$401,208.80
	(2)		
512.1	Unrestricted net assets	401,208.80	
511.1	Restricted net assets To reclassify.		401,208.80

MONROE HOUSING COMMISSION  
INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE/BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS

SEPTEMBER 30, 2005



MONROE HOUSING COMMISSION  
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SEPTEMBER 30, 2005

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Management Advisory Comments	4
Adjusting Journal Entries	5

**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATIONS WITH THE AUDIT COMMITTEE/  
BOARD OF COMMISSIONERS**

To the Board of Commissioners  
Monroe Housing Commission

I have audited the financial statements of the Monroe Housing Commission ("Housing Commission") as of and for the year ended September 30, 2005, and have issued my report, thereon, dated January 12, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

**Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America** - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

**Significant Accounting Policies** - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were two audit adjusting journal entries and no controversial accounting issues.

**Management Judgments and Accounting Estimates** - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

**Other Information in Documents Containing Audited Financial Statements** - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE - CONTINUED**

**Audit Adjustments** - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5 showing the audit adjusting journal entries).

**Disagreements With Management** - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

**Consultations With Other Accountants** - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

**Major Issues Discussed With Management Prior to Retention** - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

**Difficulties Encountered in Performing the Audit** - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

*Gary E. Zankett, CPA, PC*

January 12, 2006

**Barry E. Gaudette, CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON  
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners  
Monroe Housing Commission

I have audited the financial statements of the Monroe Housing Commission ("Housing Commission") as of and for the year ended September 30, 2005, and have issued my report, thereon, dated January 12, 2006. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

*Barry E. Gaudette, CPA, P.C.*

January 12, 2006

MONROE HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS

September 30, 2005

=====

**Acceptance of Cash**

Currently the Housing Commission accepts cash, checks and money orders.

I recommend the Housing Commission consider adopting a "no cash accepted" policy. The Housing Commission has been encouraging tenants to not pay with cash.

**Check Writing**

Currently the Housing Commission prepares check disbursements manually.

I recommend the Housing Commission consider purchasing software to prepare the checks. This would add another internal control to disbursements.

MONROE HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
 September 30, 2005  
 =====

<u>Line Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
 <b>LOW RENT PROGRAM</b>			
	(1)		
132	Investments restricted	\$ 401,208.80	
131	Investments- unrestricted		\$ 401,208.80
	To reclassify savings amount reserved for retirees health insurance premiums.		
	(2)		
512.1	Unrestricted net assets	401,208.80	
511.1	Restricted net assets		401,208.80
	To reclassify.		